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Canada

CANADA MORTGAGE AND HOUSING CORPORATION

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Canadian Market Overview

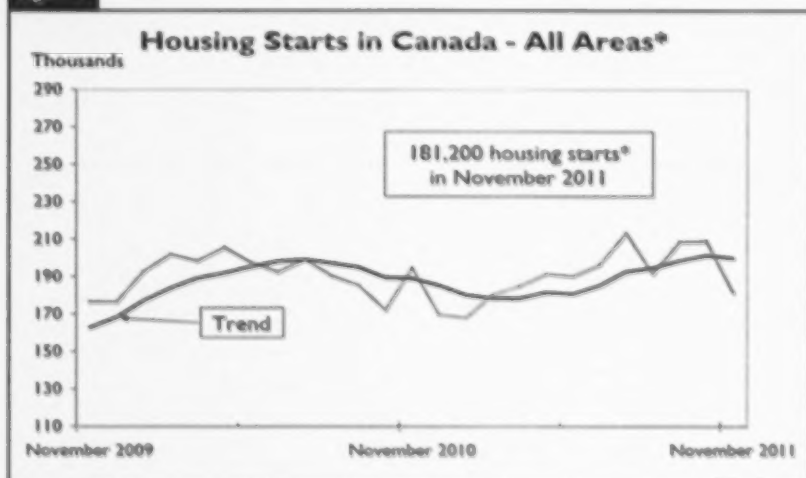
New Home Market

Housing starts decreased in November

The seasonally adjusted annual rate¹ of housing starts was 181,200 units in November, down 13.2 per cent from 208,800 units in October.

Housing starts declined in November, reaching a level which is more consistent with the rate of household formation. The decrease in housing starts was due to a moderation in the multiples segment.

Figure 1



Source: CMHC

*Seasonally adjusted at annual rates

¹All starts figures in this release, other than actual starts, are seasonally adjusted annual rates (SAAR) — that is, monthly figures are adjusted to remove normal seasonal variation and multiplied by 12 to reflect annual levels. By removing seasonal ups and downs, seasonal adjustment makes it possible to highlight the fundamental trends of a series. Reporting monthly figures at annual rates indicates the annual level of starts that would be obtained if the monthly pace was maintained for 12 months. This facilitates comparison of the current pace of activity to annual forecasts as well as to historical annual levels.

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Decrease in urban multiple starts more than off-set the increase in single starts in November

The seasonally adjusted annual rate of urban² starts decreased by 14.4 per cent to 159,000 units in November compared to 185,700 units in October. Urban single starts edged up 3.7 per cent to 63,700 units, while urban multiple starts decreased 23.3 per cent to 95,300 units in November.

Urban starts decreased significantly in Ontario

In November, the seasonally adjusted annual rate of urban starts decreased in Ontario (-30.5 per cent), in the Prairie region (-13.4 per cent), and in British Columbia (-3.6 per cent). On the other hand, urban starts increased in the Atlantic region (8.3 per cent) and in Québec (3.2 per cent).

The seasonally adjusted annual rate of rural starts was 22,200 units in November compared to 23,100 units in October.

Actual starts down in November

In November, actual urban starts decreased 5.4 per cent from 15,540 units in 2010 to 14,703 units in 2011. Actual urban single starts for November edged down 0.4 per cent compared to a year earlier, while actual urban multiple

starts decreased 8.5 per cent in November compared to 2010.

Estimated actual starts in rural and urban areas combined decreased by an estimated 5.8 per cent in November compared to a year earlier.

The stock of unabsorbed new housing is stable

The stock of unabsorbed new housing units has been relatively stable over the past year. After falling 28.4 per cent between 2009 and 2010, the number of new and unoccupied singles and semis has fluctuated narrowly between 5,500 and 6,000 since January 2011 and stood at 6,000 during November, 2011. With respect to multiples, the number of new and unoccupied units has oscillated in a band between 12,600 and 14,200 and standing at 12,600 during November, 2011.

New house prices are up in October

The New Housing Price Index (NHPI) increased 2.5 per cent in October compared to October 2010. This follows a year-over-year increase of 2.3 per cent in September.

In October 2011, new home prices increased in 17 out of 21 centres, compared to October 2010. The largest increases in the NHPI were in Winnipeg and Toronto & Oshawa (5.6 per cent), followed by Regina

(5.1 per cent) and St. John's (4.1 per cent). The centres that registered the declines in the NHPI were Windsor (-3.3 per cent), Victoria (-1.9 per cent), St. Catharines-Niagara (-0.9 per cent), and Vancouver (-0.1 per cent).

Existing Home Market

MLS® sales up in November

The seasonally adjusted annual rate of MLS® (Multiple Listing Service®) sales was up 0.5 per cent to 466,764 units in November, compared to 464,628 units in October.

MLS® new listings edged down in November

The seasonally adjusted annual rate of MLS® new listings in November was 840,576 down 3.4 per cent from 870,114 in October.

The Sales-to-New-Listings ratio moved into seller's market conditions

An indicator of price pressure in the existing home market is the sales-to-new-listings ratio⁴. New listings are a gauge of the supply of existing homes, while MLS® sales are a proxy for demand.

The sales-to-new-listings ratio for Canada moved into seller's market conditions in November, at 55.5 per cent, and up from 53.4 per cent in October.

²Urban centres are defined as centres with a population of over 10,000. CMHC surveys urban centres 10,000-49,999 at the end of every quarter. Months which are not at the end of a quarter are thus estimates.

³Multiple Listing Service (MLS®) is a registered trademark owned by the Canadian Real Estate Association

⁴Taking the Canadian MLS® market as a whole, a sales-to-new-listings ratio below 40 per cent has historically accompanied prices that are rising at a rate that is less than inflation, a situation known as a buyers' market. A sales-to-new-listings ratio above 55 per cent is associated with a sellers' market. In a sellers' market, home prices generally rise more rapidly than overall inflation. When the sales-to-new-listings ratio is between these thresholds, the market is said to be balanced.

MLS® price virtually unchanged

The November seasonally adjusted average MLS® price in Canada remained almost unchanged at \$363,536 compared to \$363,591 in October. The unadjusted MLS® average price was up 4.6 per cent in November to \$360,396 from \$344,446 a year ago.

Economic conditions

According to Statistics Canada, employment edged down 19,000 in November following a notable decrease the previous month. Full-time employment edged up by 34,000 jobs in November, when compared to October, while part-time employment decreased by 53,000 jobs over the same time frame.

Among the provinces, employment declined in Quebec and Saskatchewan in November compared to October, while employment increased in Nova Scotia.

The agency also reported that Canada's unemployment rate edged up by 0.1 percentage points from October to 7.4 per cent in November.

Compared to November 2010, total employment across Canada was up 1.2 per cent (212,000 jobs), primarily in Ontario and Alberta, and among private sector employees. Over the past year, full-time employment added 274,000 net new jobs, while part-time employment subtracted 62,000 jobs.

On December 6th, the Bank of Canada announced that it was leaving the target for the overnight interest rate unchanged at 1.0 per cent.

Figure 2



Data are seasonally adjusted and annualized, and cover Canada's major markets
 Sources: CMHC, Canadian Real Estate Association (CREA), MLS

According to the Bank of Canada, uncertainty around the global economic outlook has increased in the weeks since the Bank released its October Monetary Policy Report (MPR).

On balance, recent economic indicators in Canada suggest that growth in the second half of this year is slightly stronger than the Bank projected in October. Household expenditures have more momentum than had been expected and business investment remains solid. Going forward, the weaker external outlook is expected to dampen GDP growth in Canada through financial, confidence and trade channels. The economy also continues to face competitiveness challenges, including the persistent strength of the Canadian dollar.

The next interest rate announcement of the Governing Council of the Bank of Canada is scheduled to take place on January 17, 2012. The next MPR

is scheduled to be released on January 18, 2012.

Statistics Canada's Consumer Price Index, which is a measure of inflation, rose 2.9 per cent in the 12 months to November matching the increase in October.

Core inflation, which excludes the eight most volatile items and the effect of changes in indirect taxes, increased to 2.1 per cent in the 12 months to November matching the rise posted in October.

The agency also reported that shelter costs rose 1.5 per cent in the 12 months to November. In addition to higher prices for fuel oil and water, homeowners' replacement cost increased 2.1 per cent. However, mortgage interest cost, which measures the change in the interest portion of payments on outstanding mortgage debt, decreased 1.1 per cent. Prices for natural gas also fell. ■

Residential Mortgage Credit: Growth in the Third Quarter of 2011

Residential mortgage credit increased by 7.3 per cent in the third quarter of 2011, compared to the second quarter of 2010.

Canadian interest rates continue to remain stable and Canadian households are benefiting from low mortgage rates and favourable domestic economic conditions. This led to a 7.3 per cent increase in residential mortgage credit in the third quarter of 2011, compared to the third quarter of 2010. For comparison, the first quarter of 2011 saw growth of 7.6 per cent over the first quarter of 2010 while the second quarter saw growth of 7.3 per cent

Short and medium-term fixed mortgage rates remain near historical lows which is helping to support Canada's housing sector. ■

Figure 3

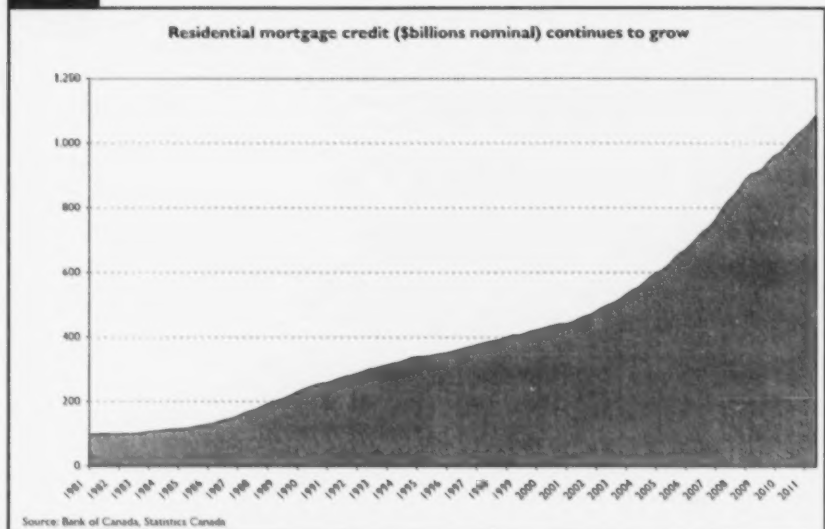
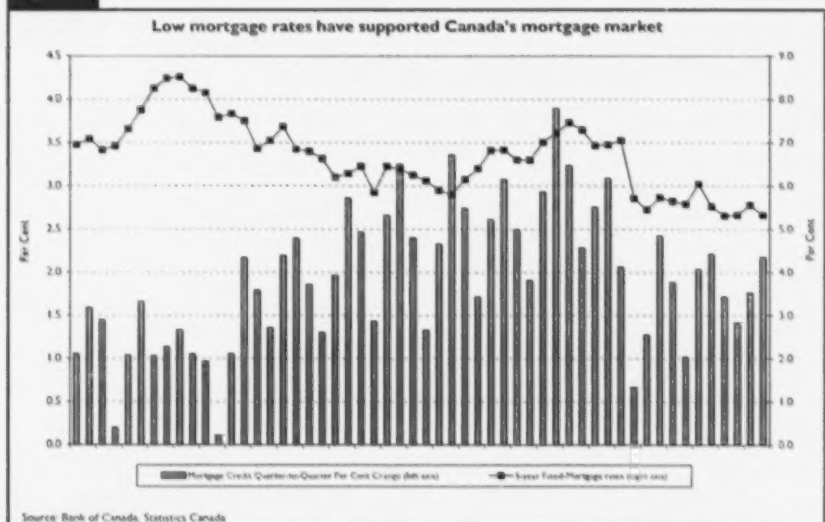


Figure 4



Mortgage credit outstanding (\$millions)

	2009	2010	3Q10	4Q10	1Q11	2Q11	3Q11
TOTAL	933,446	1,000,626	1,012,152	1,029,504	1,044,081	1,062,479	1,085,592
% change (year-over-year)	7.22	7.20	7.33	7.15	7.58	7.29	7.26

* Average for the period, unadjusted

Source: Bank of Canada, Statistics Canada.

This Month's Housing Data (SAAR)

	2010	Q1:11	Q2:11	Q3:11	M09:11	M10:11	M11:11
Housing starts, units, 000s							
Canada. Total. All areas	189.9	174.6	194.8	206.1	208.5	208.8	181.2
Per cent change from previous period	27.4	-3.0	11.6	5.8	8.9	0.1	-13.2
Canada. Total. Rural areas	23.8	17.8	18.9	23.2	20.4	23.1	22.2
Per cent change from previous period	27.0	-22.6	6.2	22.8	1.0	13.2	-3.9
Canada. Total. Urban areas	166.2	156.8	175.9	182.9	188.1	185.7	159.0
Per cent change from previous period	27.5	-0.1	12.2	4.0	9.8	-1.3	-14.4
Canada. Single. Urban areas	74.2	61.5	68.2	70.0	66.8	61.4	63.7
Per cent change from previous period	22.7	-4.5	10.9	2.6	-2.6	-8.1	3.7
Canada. Multiple. Urban areas	91.9	95.3	107.7	112.9	121.3	124.3	95.3
Per cent change from previous period	31.6	2.9	13.0	4.8	18.1	2.5	-23.3
Newfoundland. Total. All areas	3.6	3.7	3.7	3.6	3.4	3.3	3.7
Per cent change from previous period	18.0	15.6	0.0	-2.7	6.3	-2.9	12.1
Prince Edward Island. Total. All areas	0.8	0.8	0.8	1.2	1.3	0.9	1.3
Per cent change from previous period	-13.8	-11.1	0.0	50.0	30.0	-30.8	44.4
Nova Scotia. Total. All areas	4.3	4.1	4.2	5.4	6.0	3.3	2.6
Per cent change from previous period	25.3	5.1	2.4	28.6	50.0	-45.0	-21.2
New Brunswick. Total. All areas	4.1	1.5	3.2	4.2	4.9	3.9	3.4
Per cent change from previous period	16.5	-65.1	113.3	31.3	81.5	-20.4	-12.8
Quebec. Total. All areas	51.4	47.0	48.8	50.2	59.7	44.2	45.5
Per cent change from previous period	18.3	-1.9	3.8	2.9	38.5	-26.0	2.9
Ontario. Total. All areas	60.4	61.6	70.9	71.1	65.6	74.8	52.8
Per cent change from previous period	20.0	5.1	15.1	0.3	-3.5	14.0	-29.4
Manitoba. Total. All areas	5.9	4.5	5.9	6.5	4.5	7.6	7.1
Per cent change from previous period	41.1	-16.7	31.1	10.2	-22.4	68.9	-6.6
Saskatchewan. Total. All areas	5.9	6.3	6.9	8.1	9.1	8.4	7.4
Per cent change from previous period	52.8	-16.0	9.5	17.4	24.7	-7.7	-11.9
Alberta. Total. All areas	27.1	20.9	23.7	27.5	24.3	32.0	28.7
Per cent change from previous period	33.5	-8.7	13.4	16.0	-22.1	31.7	-10.3
British Columbia. Total. All areas	26.5	24.2	26.7	28.3	29.7	30.4	28.7
Per cent change from previous period	64.7	-4.7	10.3	6.0	17.9	2.4	-5.6

SOURCE: CMHC, Starts and Completions Survey. All data are seasonally adjusted and annualized. This seasonally adjusted data goes through stages of revision at different times through the yearly cycle resulting in finalization of preliminary data. These revisions take place at the end of each month, quarter and year.

This Month's Housing Data, continued (SAAR)*

	2010	Q1:11	Q2:11	Q3:11	M09:11	M10:11	M11:11
Housing starts, units, 000s							
Canada. Total. Urban areas	166.2	156.8	175.9	182.9	188.1	185.7	159.0
Newfoundland. Total. Urban areas	2.2	2.4	2.5	2.5	2.5	2.0	2.4
Prince Edward Island. Total. Urban areas	0.6	0.5	0.6	1.0	1.1	0.7	1.1
Nova Scotia. Total. Urban areas	3.5	3.4	3.7	4.8	5.4	2.2	2.0
New Brunswick. Total. Urban areas	3.0	1.0	2.4	3.0	4.1	2.3	2.3
Quebec. Total. Urban areas	43.5	40.0	42.5	42.7	52.6	37.1	38.3
Ontario. Total. Urban areas	57.1	59.0	68.3	68.4	63.0	71.8	49.9
Manitoba. Total. Urban areas	4.0	3.2	4.0	4.1	3.0	5.9	5.2
Saskatchewan. Total. Urban areas	4.6	5.3	5.4	5.6	7.1	7.1	5.2
Alberta. Total. Urban areas	24.1	19.6	21.7	24.8	21.9	28.8	25.8
British Columbia. Total. Urban areas	23.6	22.4	24.8	26.0	27.4	27.8	26.8

SOURCE: CMHC, Starts & Completions Survey. All quarterly and monthly data are seasonally adjusted and annualized. This seasonally adjusted data goes through stages of revision at different times through the yearly cycle resulting in finalization of preliminary data. These revisions take place at the end of each month, quarter and year.

This Month's Major Housing Indicators

	2010	Q1:11	Q2:11	Q3:11	M09:11	M10:11	M11:11
New Housing							
New & unoccupied singles & semis, units 000s	5.3	5.9	5.6	5.6	5.7	5.9	6.0
Per cent change from same period previous year	-28.4	11.1	4.3	12.7	12.6	10.5	6.8
New & unoccupied row & apartments, units 000s	13.6	13.6	12.8	13.6	13.5	13.2	12.6
Per cent change from same period previous year	11.1	0.6	-4.5	-1.2	0.2	-3.4	-8.5
New House Price Index, 2007=100	103.2	104.5	105.3	105.8	106.0	106.2	n.a.
Per cent change from same period previous year	2.2	2.0	2.0	2.3	2.3	2.5	n.a.

Existing Housing

MLS® resales*, units 000s	447.0	465.1	443.1	452.2	460.1	464.6	466.8
Per cent change from same period previous year	-3.9	-7.1	0.2	13.6	11.2	7.1	2.9
MLS® average resale price**, 000s	339.0	365.1	366.3	362.0	361.7	363.6	363.5
Per cent change from same period previous year	5.8	7.0	7.9	9.0	8.2	7.6	5.1

Mortgage Market

Posted 1-Year Mortgage Rate, % (period average)	3.49	3.45	3.63	3.50	3.50	3.50	3.50
Posted 5-Year Mortgage Rate, % (period average)	5.61	5.32	5.56	5.32	5.19	5.29	5.29

SOURCE: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association.

n.a. Figures not available.

* Annual data is actual. Quarterly and monthly data are seasonally adjusted and annualized (SAAR).

** Annual data is actual. Quarterly and monthly data is seasonally adjusted.

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